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# The Story Behind The Farmers' Petition



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THE WESTERN FARM DELEGATION



## FOREWORD

Wheat Production is still one of the major factors in Canada's economic life. In exports, it has been slightly overshadowed by one or two other commodities. In the domestic economy it has fallen, along with agriculture generally, from the high estate it enjoyed a couple of generations ago to one among many contributors to the national income.

Nevertheless the economy in the prairie region of Canada still rises and falls with the production and price of wheat.

For the last four years wheat, and the farmers who grow it, have been in trouble. They wish the rest of Canada to know their story. This brief account of what has been happening in the wheat economy is one part of their efforts to let other Canadians know their problems.

The cost of this presentation has been borne directly by the farmers themselves. Through voluntary subscriptions to the Western Farm Delegation Fund, farm people in the three prairie provinces, and their urban neighbors, hope that they will have made a contribution to an informed public discussion of Canada's farm problem, particularly as it relates to the price of wheat.

Western grain farmers believe they have a sound case to lay before the people of other parts of Canada. They believe their proposed solution is both moderate and realistic. We are proud to present our story to all who will listen.





# Behind the Petition

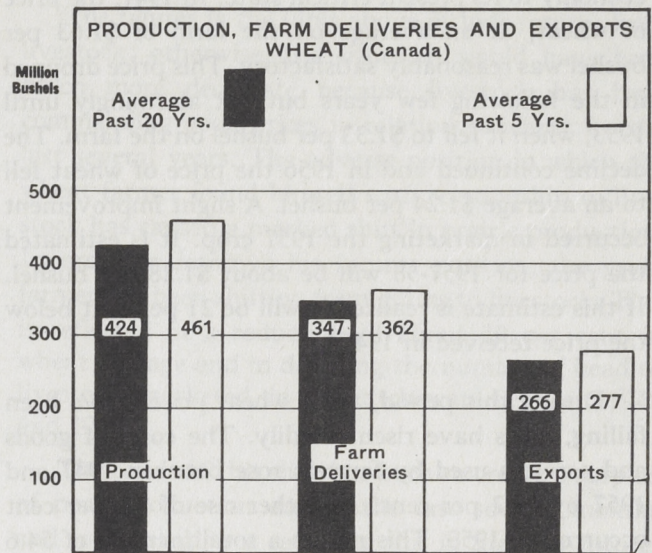
More than 1,000 farmers, business and professional people have come to Ottawa to present to the Government of Canada a petition asking for deficiency payments on grain delivered to The Canadian Wheat Board during the last three crop years. The cost of this delegation has been borne completely by the voluntary contributions of more than 300,000 farmers and others in the West who have signed the petition and contributed about 75 cents apiece to pay the cost of the delegation.

This delegation does not come East swinging a big stick. It is intended neither to threaten nor to cajole the government. Its purpose is to explain to other Canadians the serious crisis which has been confronting the grain producers of Western Canada for the last four years and to persuade the Government of Canada that the farm income situation in the West has become a matter of great national urgency.

The delegation is also a reflection of solidarity among all groups in Western Canada. Business and professional people are being severely pinched by the cost-price squeeze which has reduced the grain farmers' purchasing power to a dangerously low level. The petition and the delegation have given non-farm groups an opportunity to express their concern about what has been happening to their farm neighbors and principal customers.

The move to organize this delegation was taken reluctantly and only after every other apparent possibility for making the farmer's case known had been tried. In the last three years, many small Western delegations have come to Ottawa to argue the case for deficiency payments and other emergency measures to support the wheat economy. The case has been presented in turn to three successive governments. When all these previous efforts apparently failed to focus attention on the low price for grain, which this delegation considers the basis of the Western farm income crisis, Western Canadians turned in desperation to the organization of a mass delegation.

The Western problem has been accumulating ever since 1954 when the price of grains, particularly wheat,



began to fall. It has grown in intensity with the passing months and with the steady climb in farm costs as a result of inflation. It has become a national problem which requires a national solution.

There was a time when some people in Western Canada shared the belief so common in the rest of the country that everything would be all right, "if only we could sell all the tremendous surpluses of grain on Western farms." This illusion has been shattered by the harsh realities of the last 18 months. It is now evident that the farm "surplus" has virtually disappeared. By mid-summer 1959 probably 90 per cent of the farmers in Western Canada will be sweeping the bottoms of their granaries to get enough grain to fill this year's deliveries quotas.

Even when the farm surplus was at its highest, and the failure to sell all that had been produced seemed to be the problem, the fact was that Western farmers were selling more grain each year than they could expect, on the basis of past experience, to harvest over the long run. The situation is shown in the chart above. Western farmers have been slowly but surely going broke in a period when farm deliveries and exports of wheat were well above a level they could hope to maintain. The realization of this fact has recently brought a note of desperate urgency to discussions of the farm problem in Western Canada.



# Cost Price Squeeze

Rising costs of production and declining farm income have conspired to bring the Western grain economy to its present critical state. In 1947, the price of wheat, at an average on the farm of \$1.63 per bushel was reasonably satisfactory. This price dropped in the following few years but not alarmingly until 1953, when it fell to \$1.33 per bushel on the farm. The decline continued and in 1956 the price of wheat fell to an average \$1.24 per bushel. A slight improvement occurred in marketing the 1957 crop. It is estimated the price for 1957-58 will be about \$1.28 per bushel. If this estimate is realized it will be 21 per cent below the price received in 1947.

During this period, while wheat prices have been falling, costs have risen steadily. The costs of goods and services used by farmers rose between 1947 and 1957 by 51.2 per cent. A further rise of 3.4 per cent occurred in 1958. This makes a total increase of 54.6 per cent in costs while wheat prices were falling 21 per cent. These changes are illustrated in the chart below.

Other groups in Canada have faced comparable increases in costs. But most of them have been able to pass these increases along to others through higher wages or through increases in the price of goods and services they sell. The grain farmer, however, has the price of his product fixed in the export market. Consequently, he is unable to adjust his prices to domestic cost increases over which he has no control.

The rising spiral of costs has been the most significant factor contributing to declining farm living standards. Farm organizations have long held that the Government of Canada must accept responsibility for the policies which have permitted a spiralling of farm costs. Consequently, if they are unable or unwilling to arrest this spiral, the government should be prepared to accept responsibility for maintaining farm prices in some reasonable relationship to costs.

If the depression in agriculture is permitted to continue, it will quickly spread to other segments of the economy. There is considerable evidence to show that this is now taking place.

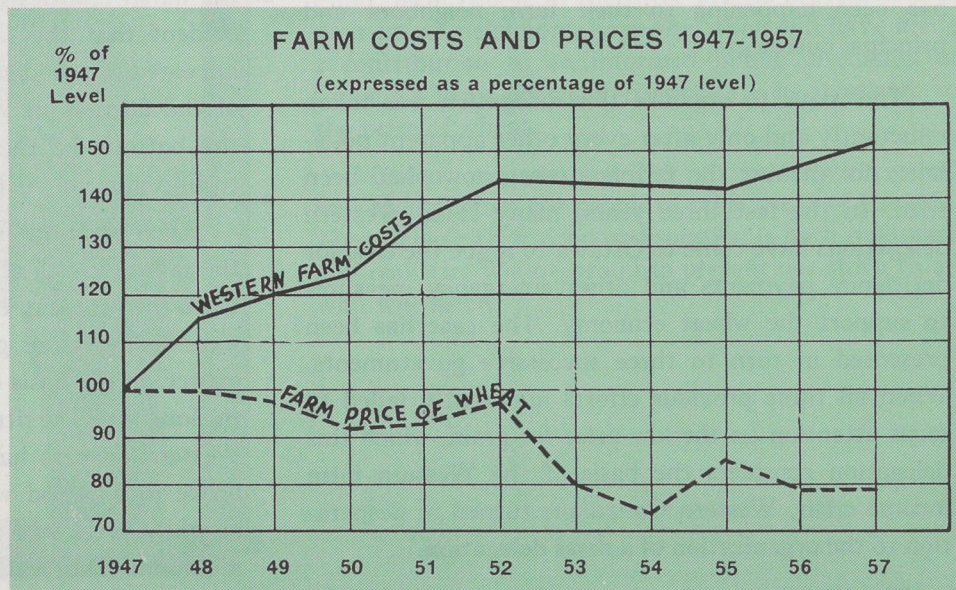
The government has recognized the danger. Its proposals looking toward a long-range corrective program are appreciated. These policies may eventually place agriculture in a position to cover its costs. But, until that time arrives, the grain producer must be assisted. There are three ways this can be done, or a combination of these:

1.—Expansion of export markets. This would be helpful to the extent that farmers were able to increase their marketings. The majority of farmers in the West will have no grain on their farms by mid-summer. Therefore, they would not be helped immediately even if expansion were possible.

2.—Reduction of farm costs through lower prices of goods and services used on the farm. This would call not only for price controls, but for pushing these prices back to the level of 10 years ago.

3.—Transfer payments from the Treasury to increase grain prices through deficiency payments.

While the government has maintained a high level of exports, there is little hope for much increase in the face of determined American competition. There is no evidence that price controls are even considered. Consequently, assistance to grain producers must come from the Federal Treasury.





# The Shrinking Bushel

Among western grain producers, real income—the goods and services which can be purchased with a bushel of wheat—has fallen to the lowest point since the depression years of the 1930's. This is shown in the chart below. Only on two occasions since wheat became a major national export, has the purchasing power been lower. Compared with the cost-price relationship in 1947, it took 170 bushels of wheat to buy in 1957 what could be purchased for 100 bushels 10 years earlier.

The same trend is evident in the figures for realized net farm income in terms of constant dollars. These are set out for the last five years in the following table:

**TOTAL REALIZED NET FARM INCOME:**  
Saskatchewan and Prairie Provinces

(In Constant Dollars)		
Year	Saskatchewan	Prairie Provinces
1953.....	\$217.1	\$394.6
1954.....	103.8	224.7
1955.....	86.0	193.1
1956.....	144.7	282.0
1957.....	118.9	252.7

In Saskatchewan, the sharp drop in realized net farm income occurred in 1954 when it fell to less than half of what it was the previous year. In Western Canada as a whole it was not halved until 1955. But it has remained exceedingly low ever since. In fact, with the exception of 1950, it is necessary to go back to 1942 in order to find any year with a lower net

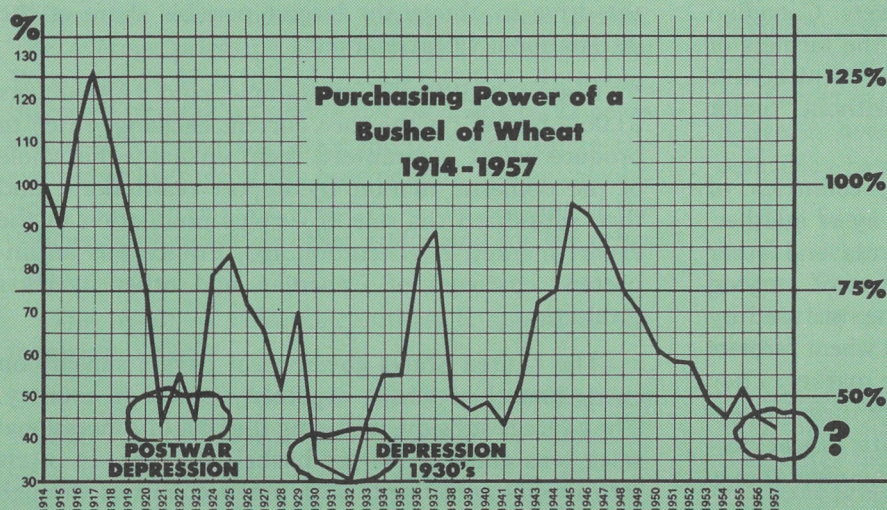
realized income in terms of constant dollars than any of the last four years shown in the table above.

The figures in the table above include returns from livestock; otherwise, the situation would have been much more desperate because livestock has been commanding good prices in relation to wheat for the last several years. The adverse position in which the wheat farmer found himself with relationship to livestock has caused a marked shift in prairie production. In order to improve his income position, the grain farmer has been shifting from grains to livestock. This is reflected in a reduction of about 20 per cent in wheat acreage and in doubling the number of head of livestock marketed in Saskatchewan between 1948 and 1958.

The result of this shift has been to create a surplus of pork production during the last several months and to foreshadow a cattle surplus in the near future. A part of the grain producer's problem has already been shifted from wheat to meat. The low price of wheat has clearly injured hog producers in all parts of Canada and may shortly hurt the cattlemen.

The decline in real farm income in Western Canada which can be attributed very largely to the drop in grain prices is not only threatening farmers in other parts of Canada but also other parts of the economy. The drying up of farm purchasing power has already been reflected in lower implement sales. Farm machinery and equipment sales in Western Canada

dropped from \$160,000,000 in 1953 to \$77,000,000 in 1957. This is a reduction of 52 per cent and certainly has been reflected in increased unemployment in many Canadian industries. Other farm purchases are drying up, too, as a result of the decline in real income so that the crisis in the grain industry carries the seed of a much broader and much more serious setback not only for the wheat economy but for many other industries in all parts of Canada. In short, the decline in western farm purchasing power has become a national problem.





## Producer Prices for Wheat in Selected Countries 1958-59

Canadian \$ per bus.



## International Competition

Western Canadian grain producers must look to other countries for a market for more than two-thirds of their wheat production, and for a substantial part of their production of other grains. As a result, the conditions which they must face in these markets determine almost entirely the price they receive for their products.

The international market for wheat, in particular, is a jungle of trade restrictions, subsidies, and other devices designed primarily by the governments of other countries to help their own growers. Canadian wheat producers, almost alone among the farmers of the world, are left to their own devices to meet this kind of international competition without major assistance from the government.

All of the traditional importing countries of Western Europe have restricted, one way or another, the free purchase of wheat from Canada and other exporters. Usually, by requiring the use of varying proportions of home-grown wheat in the mix used by millers, they have guaranteed their own wheat farmers a pre-determined share of the domestic market. They have, in addition, bolstered the income of their farmers by paying high, fixed prices for domestic wheat production. Some of these are shown on the map above.

The result is that Western Canadian wheat producers cannot break into these markets for increased volume at any price. All the major markets of the

world are protected against low-priced wheat from overseas, and there is no advantage to anyone in price-cutting in an effort to reach a high volume of sales. The Canadian farmer is not permitted by other governments to compete with their own farmers in a normal commercial way.

The competition which Canadian grain producers must meet from other exporters is even more vicious. The full weight of the governments of Argentina, France, the United States and Turkey is put behind the drive to obtain the largest possible share of the international wheat market.

France, in 1956-57, for example, paid its producers \$3.06 a bushel (at the then current exchange rate) to produce wheat, guaranteed them virtually the whole of the domestic market by import restrictions, and then subsidized the sale of surplus production in the export market. A generation ago, France was an important customer of Canadian and other overseas producers.

The United States government pays a subsidy on every bushel of wheat exported from that country. The average subsidy, including the cost of concessional sales, was about \$1.00 per bushel last year. It enters into special agreements with many countries through sales for foreign currency, for direct barter arrangements, and makes use of other devices to enlarge its exports. Some of these arrangements are designed to



provide wheat to purchasers who would not otherwise be able to obtain wheat through normal commercial transactions. Canadian producers take no exception to such concessions. Indeed, they hope our own government will continue to expand its policies in this direction. But, at times, American subsidies have directly interfered with Canadian sales, or have forced a reduction in the prices paid to Canadian producers, as in the case of flour exports. In order to meet United States flour competition in some foreign markets, Western farmers directly lost \$2,272,000 in reduced prices for Canadian flour in 1957-58.

The Canadian grain producer stands alone in meeting this variety of government-sponsored competitive conditions in the international wheat market.

He is virtually the only wheat producer who is not the beneficiary of domestic or export subsidies from his government.

There are few other groups in Canada who are left exposed to this kind of competitive situation with so little help from the government. In the light of all the circumstances, the Western grain producer feels fully justified in asking for special assistance from his own government to put him on a more equal footing with the producers in other countries who enjoy such wide measures of public assistance. In any event, the Canadian wheat producer is unable any longer to meet unaided the competition, not only of producers elsewhere, but of their governments, too.

## Deficiency Payments

The deficiency payment plan is based almost entirely on the decline in grain prices in Western Canada during the last few years. In calculating the amount of the payment required to compensate farmers for the decline in grain prices, the farm price for grain in Western Canada from 1945 to 1953 was used as a base. This period was selected because it was one of relatively stable prices and one in which the returns to the grain producer were reasonably satisfactory.

The average price of wheat at the farm in Western Canada for this eight-year period was \$1.59 a bushel. This average takes into account both grade and price differentials which occurred during the base period. The average price for all grades at the farm in the West was \$1.37 in the crop year 1955-56. It would, therefore, require an additional payment of 22 cents a bushel to bring the price for that year up to the eight-year average of the base period. Similar calculations were worked out to arrive at the amount of the deficiency payment on other grains and for the other years.

The result of these calculations is shown in the following table:

	1955-56	1956-57	1957-58 (Est.)
Wheat.....	.22c	.35c	.31c
Oats.....	.04	.15	.12
Barley.....	.13	.24	.23

In working out the formula on which the above table was based, no adjustment was made for increases

in costs of goods and services used by farmers which have taken place since the eight-year base period. The fact is that costs are now about 25 per cent above the average for the base period. The adjusted grain prices, including deficiency payments, will not, therefore, provide the farmer with anything like the relative purchasing power which he enjoyed in the base period. Hence, it will require careful and efficient operation by well-established farm operators to break even.

Deficiency payments are designed to help moderately sized family farms which make up the great bulk of western grain producers. The very large farm operator will not receive the full benefits of deficiency payments on all his production because the plan suggests a ceiling of \$1,500 on the payments to any one farmer in any crop year. This means, in effect, that deliveries over 4,285 bushels per year will not receive deficiency payments.

The basic problem in the western grain economy is, the delegation believes, the result of low grain prices. The Western farm delegation, therefore, is asking the government to attack the problem at its source.

It believes that the plan will be of assistance to the moderately-sized, efficient family farm. It recognizes that other federal policies are necessary to meet the problems arising from sharp fluctuations in yield as a result of drought or other natural hazards and to meet the problems associated with small, or under-capitalized, farm units.



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# The Ottawa Delegation

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The decision to organize a large delegation to place the grain producers' case before the government was not taken lightly, nor was it made by a few individuals. The first suggestion of a large delegation came from the annual meeting of Saskatchewan Wheat Pool delegates in November 1956. It was apparent then that the disabilities referred to in the earlier parts of this pamphlet were beginning to make heavy inroads on the living standards of farm families on average, well-managed grain farms. The Pool delegates expressed their concern about the farm income situation in a resolution suggesting that the Wheat Pool should "sponsor and organize a mass delegation" to press for the adoption of deficiency payments. This was approved by a very large majority of the 167 elected representatives of more than 100,000 Saskatchewan Wheat Pool shareholders at the annual meeting.

A similar resolution coming before the annual meeting of Wheat Pool delegates in 1957 was carried unanimously. At their annual meeting in November 1958, the delegates were even more precise in their instructions. The resolution which the delegates unanimously approved instructed the board to circulate a petition and organize "a mass delegation at the earliest possible date." At the same time, other farm organizations in Western Canada were taking an active part in support of the principle of deficiency payments and the organization of a delegation to Ottawa.

The suggestion for deficiency payments had come out of a meeting of the Saskatchewan Federation of Agriculture in April, 1956. Between then and the organization of the delegation, the suggestion was discussed in hundreds of meetings throughout the three western provinces by both Wheat Pool and Farm Union members. It was considered by farm representatives at the annual meetings of all these organizations and by the Canadian Federation of Agriculture. All these farm organizations were familiar with the proposal and they had all approved the principle of deficiency payments on grain for the three crop years 1955-56, 1956-57 and 1957-58, before the Ottawa delegation was undertaken.

The plan for deficiency payments had been placed before the government on several occasions, the first being in March 1957. The Pools, the Farmers Union and the Canadian Federation of Agriculture had all made representations to the Canadian government at various times between April 1957 and the beginning of the campaign for signatures to the deficiency payments petition in mid-December 1958. When the campaign was finally undertaken, it appeared to farm people that small delegations were no longer adequate and that an all-out effort on the part of the whole

western community was necessary to focus attention on the grain producers' problem. It took the farm people of Western Canada three years to arrive at the conclusion that a mass delegation was the only way remaining open to them to make their position clear.

Once this decision was made, western farmers and other groups went to work with enthusiasm. The campaign for signatures to the petition and donations toward the expenses of the mass delegation spread like a prairie fire. In one of the coldest and stormiest winters of recent years, more than 21,000 volunteer workers travelled miles of snow-drifted roads to give their neighbors an opportunity to sign the petition. The people responded in overwhelming fashion. More than 300,000 adults in the three western provinces signed the petition asking the government for deficiency payments on western wheat, oats and barley for the crop years 1955-56, 1956-57 and 1957-58. The money collected in small donations from these people has been enough to finance all the expenses of the western farm delegation to Ottawa.

Farmers received much assistance from business, professional and labor groups during the course of the campaign. In a great many of the smaller cities and towns across the prairies, the campaign for signatures to the petition became a community effort with all groups of citizens working toward a common end. The amount of enthusiasm displayed by so many people in all parts of the prairies provides the best possible evidence that this campaign grew out of the needs of the people themselves. Farmers have seen their income position deteriorate steadily for four years. Business and other groups who depend for their prosperity on the purchasing power of the farmers have seen their own income beginning to shrink as a result of the growing farm crisis. The decline in farm income from grain in the last few years has made a deep impression on all who are close to western farm people. How deeply this impression has been etched is shown by the more than 300,000 signatures on the petition presented to the Canadian government.

This has been a genuine "grass roots" campaign initiated and carried out by Western farm people themselves. The bulk of the work in getting signatures to the petition and collecting money to send the delegation was done by the people who live on the land assisted by their friends and neighbors in the towns and cities. All those who worked in the campaign did so out of a deep sense of conviction that they were working for a just and reasonable cause. They were confident that the people in other parts of Canada would recognize the justice of their requests if they had an opportunity to learn the facts.